

United States Treasury Frauds Exposed.

IN THE SENATE OF THE UNITED STATES.

April 28, 1880.—Ordered to be printed. December 17, 1880.—Ordered to be reprinted.

Mr. DAVIS, of West Virginia, from the Select Committee to Investigate the Finance Reports, Books and Accounts of the Treasury Department, submitted the following report:

(No. 7.—Continued from last week.)

DIFFERENCES BETWEEN RECEIPTS AND EXPENDITURES.

Major Power testifies (see testimony, pages 80 and 81):

By the CHAIRMAN:

Q. Look at the report of 1871, at page 20, and state what the total receipts of the government up to June 30, 1871, were.—A. The total receipts received into the treasury on account of loans were \$7,094,541,041.38.

Q. The net expenditures?—A. \$4,857,434,540.51, leaving a balance of \$2,237,106,500.87.

Q. State what the difference is between that and the actual amount of the public debt at that time.—A. The actual public debt was \$2,353,211,332.32.

Q. What is the difference between the actual debt and what it would appear to be on the basis of receipts and expenditures?—A. \$116,104,831.45.

Q. If receipts and expenditures were the true way to keep the public debt, ought not the difference between receipts and expenditures to have shown the actual amount of the public debt?—A. It should have shown the actual amount of the public debt plus the amount of loans or bonds issued for which no receipts came into the treasury.

Q. You have said that it does not state the true amount of the public debt by \$116,000,000, in round numbers. What is the reason why it does not show the true amount?—A. On account of the loans that were issued and redeemed afterwards, for which no receipts came into the treasury, and various items of discounts, premiums, and interest charged as principal.

Q. If that be so, receipts and expenditures alone would not show the actual public debt?—A. Not unless you add these items for which no receipts were received.

Mr. Bayley, of the secretary's office, testifies (see testimony, page 121):

By Mr. DAWES:

Q. When did this \$116,000,000 first appear in the finance report?—A. The first note is in 1871.

Q. When did this \$116,000,000 first appear; what is it a discrepancy between?—A. The discrepancy is between the amount received on account of loans and treasury notes.

Q. In the published reports in which year did it first appear to make a discrepancy?—A. In 1870.

Q. Under what head?—A. Under the head of tables K and L.

Q. What are their names?—A. "Statement of the Receipts and Expenditures of the United States."

Q. That made a discrepancy of \$116,000,000 between that statement and what other statement?—A. And the amount of the public debt as shown at that time by the debt statement.

Q. This \$116,000,000, then, first appeared there?—A. Yes, sir.

Mr. Bayley here says that he found a difference of \$116,000,000 between the public debt statement at that time and the amount of the debt stated from receipts and expenditures, and the discrepancy appeared for the first time in the finance report of 1871. That is to say, when the receipts and expenditures on account of the public debt were compared in 1870, there were \$116,000,000 of the public debt, according to the secretary's debt statement, unaccounted for by a statement made up from the receipts and expenditures:

From the beginning of the government to June 30, 1871: The total receipts were \$7,094,541,041.38

The total net expenditures 4,857,434,540.51

Balance \$2,237,106,500.87

The public debt June 30, 1871 2,353,211,332.32

Difference \$116,104,831.45

If the debt account was kept by receipts and expenditures, there would be \$116,104,831.45 to be accounted for; and on that basis the public debt in 1871 was in round numbers apparently \$116,000,000 too large. It is well known that many bonds have been issued for which no cash was covered into the treasury, such as the Mississippi stock, the Louisiana purchase, Texas purchase, Mexican indemnity, Massachusetts debt, Eads jetties, etc. This confusion grew out of the change of system in making up the public debt statement from "issued and redemptions" to "receipts and expenditures" in 1870.

ISSUE OF BONDS BY THE LOAN DIVISION.

During the examination of Major Power the following questions were asked and answers given (see testimony, pages 88 and 89):

By the CHAIRMAN:

Q. What check is there on the loan branch of the secretary's office as to the amount of the bond that has been ordered by the treasurer? In other words, if a bond for \$1,000 was subscribed for, and the loan division gives an order for a \$2,000 bond, where is the check to prevent that \$2,000 bond from going upon the public?—A. If the order to the register for the bond recites the certificate of deposit as a \$2,000 deposit in place of \$1,000, I believe there would be nothing to prevent the bond being issued. There would have to be collusion to falsify the record.

Q. All in the same office?—A. Yes.

Q. An order comes from the treasurer's office to the loan branch of the secretary's office to issue a bond for \$1,000; the loan division directs a \$2,000 bond to be issued instead of a \$1,000 bond, which the treasurer directed to be ordered. That order goes to the register, I understand. The register issues a \$2,000 bond, and it comes back to the same office that ordered it for the seal; that office puts the seal on it and the bond then goes back to the register for delivery?—A. That is the practice.

Q. Then there is no check outside of that particular office as to whether or not the bond was a \$1,000 or a \$2,000 bond?—A. I believe not.

William Fletcher, chief of loan division, in answer to how bonds were issued, said (see testimony, pages 126, 127 and 128):

By the CHAIRMAN:

Q. Please explain where, when you went into the office, and where at present, bonds were and are issued?—A. I did not know much about it at the time I en-

tered the office, and I do not know that I can tell how bonds were issued fifteen years ago. I was then a clerk of class one, and had not the management; neither have I been over the papers so as to be able to tell how bonds were issued then. I can tell how an issue is made now, and how it has been for a number of years.

Q. State that.—A. A deposit is made in the office of the treasurer, for which he issues a certificate, and upon that certificate our office issues an order on the register of the treasury. On that order bonds are issued. I have a certificate here which I can show.

Q. Does the bond come back to your office?—A. Yes, sir; and receives the seal and is initialed.

Q. Does it then go back to the treasurer's office?—A. No, sir; not to the treasurer's. It is delivered in accordance with instructions endorsed on the treasurer's certificate.

Q. The treasurer, after giving the order, has nothing further to do with the bond in any way?—A. No, sir.

Q. If you did so, the bond would come to your office for putting on the initials?—A. Yes, sir.

Q. And would not go to the treasurer to see if he had the money for it in the treasury?—A. It would not go to the treasurer.

Q. If the treasurer issues a certificate for a \$1,000 bond, is there anything to prevent an order for \$2,000 of bonds being sent to the register's office from your office?—A. Only our checks.

Q. Your integrity?—A. Yes, sir.

Q. I am putting that out of the question all the time. If such a bond was issued, that \$2,000 bond would come back to your office. What would you do with it?—A. The initials of the clerk having charge of the loan would be put upon it, and it would be sealed.

Q. But the treasurer himself would know nothing of it?—A. No, sir.

Q. Do you keep an account in your office of accrued interest on bonds when they are issued?—A. We keep an account of it as furnished by the certificate of deposit.

Q. To make it plain, if I were to ask you to-day to furnish me a list of accrued interest upon bonds sold since 1864, or any other time, could you do it?—A. I could not.

Q. It is not kept in your office in such a way that you could?—A. No, sir.

And Treasurer Gillfillan testifies (see testimony, pages 106 and 107):

By the CHAIRMAN:

Q. How do you know that a bond is issued for the same amount that you give a certificate for?—A. I have not any knowledge of the transaction after having given the receipt.

Q. If A applies for a \$1,000 bond and pays you the principal and accrued interest, you give him a receipt for that \$1,000. That then goes to the loan division of the secretary's office, as I understand, and the loan division issues an order to the register to issue the bond?—A. Yes, sir.

Q. The register issues the bond, and does what with it?—A. Transmits it usually to the subscriber, to the depositor.

By Mr. DAWES:

Q. Before he does that, does he not send it to the secretary?—A. This present loan, as I understand, goes back to the loan division of the secretary's office. A part of the process is then completed; I think putting on the seal and an initial.

By the CHAIRMAN:

Q. That is the same office that gave the order for the bond?—A. Yes, sir. Whether they send the bonds or not I am not certain.

Q. Is there anything other than the integrity of the officer to prevent the loan division, if it receives a certificate from you of \$1,000, directing the register to issue a bond of \$2,000?—A. I do not know that there is, of my own knowledge.

Q. Is there any check upon the loan division from making an order upon the register to issue to A a bond of any given amount?—A. Not that I am aware of.

Q. How long has the present system of issuing bonds been in practice?—A. I think ever since there has been a loan division. I know it was so in Mr. Boutwell's time.

Thus it will be seen the chief of the warrant division, the chief of the loan division, and the treasurer of the United States all say that there is no check upon the loan division in issuing bonds, and that upon the integrity of one man in the loan division may depend whether or not the bonded debt of the government is as reported. If there was a return of bonds to the treasurer to see if the amount agreed with the money received, this would be a check on the loan division. As it now is that division can increase the treasurer's order or originate an order on the register for the issue of bonds, and there is no check. Many hundred millions of dollars in bonds have been issued with no other check than the integrity of an officer in the loan division of the secretary's office.

Fourth District Alliance.

The regular quarterly meeting of the Fourth Congressional District Alliance will meet at Osage City on Thursday, December 29, at 10 o'clock a. m. A splendid program is prepared, and all of the officers of the State Alliance are expected to be present; also other notable members of the order. There will be an open meeting in the evening, and the Osage County Alliance will hold its regular meeting on the following day at the same place. It is hoped that every county in the district will be represented, so that a general revival of the order all over the district may be inaugurated. All members of the order in good standing are cordially invited to be present.

J. W. LAYBOURN, Committeeman.

Reform papers in the Fourth District please copy.

There has never been a time in our history when work was so abundant or when wages were so high, whether measured by the currency in which they are paid or by their power to supply the

necessaries and comforts of life.—President's Message.

A financial system under which more than one half of the enormous wealth of the country, derived from the bounty of nature and the labor of all, is owned by a little more than 30,000 people, while 1,000,000 American citizens, able and willing to toil, are homeless tramps, starving for bread, requires adjustment. A social system which offers to tender, virtuous and dependent women the alternative between prostitution and suicide as an escape from beggary is organized crime, for which some day unrelenting justice will demand atonement and expiation.—John J. Ingalls.

Alliance Notice.

Leavenworth County F. A. & I. U holds its next regular quarterly meeting at Fairmount on the second Saturday in January, 1893. Subject for debate: "Government Ownership of Railroads." Hon. W. A. Harris will be present to take part. Every Alliance member in the county should be present.

O. W. BISSETT, County Secretary.
Jarbalo, Kas., December 12, 1892.